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ABSTRACT

Federal and state student financial aid programs and their future are outlined in this discussion paper. An introduction to the issues of student financial aid and higher education finance includes recent changes in financing patterns due to expansion, reduction, and erosion of assets; state and federal appropriations; tax privileges; and student ability to pay costs. Originally a financial issue, these matters are now seen as a public policy issue. Current federal and New York state student aid programs are reported, with data given on federal programs on dollar support, percentage of the total aid appropriation, and estimated number of recipients. The future of state aid programs is seen to hinge on the changing student population. Four questions are raised about the changing population influence on student aid in general: (1) What are the implications of enrollment decline on higher education finance and student aid? (2) How should remediation costs for underprepared students be met? (3) Are there special student aid needs for adult students? and (4) What are part-time students' needs and to what degree are New York taxpayers willing to meet them? Other questions raised are: (1) Would entitlement programs expand to cover a higher proportion of cost? (2) How should loan program costs be controlled while still meeting legitimate borrowing needs? and (3) Should tax policies be used to support college costs? A series of exercises is provided for discussion of these questions. Appended charts and figures give information of New York State award types and dollar ranges, trends in student costs and federal aid programs. (MSE)

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TOPIC 2

A Discussion Paper for Use at the
1981-82 Regents/Commissioner's Regional Conferences

STUDENT AID AND THE FINANCING OF HIGHER EDUCATION

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I. Introduction

American colleges and universities initially were heavily dependent on endowment, including the massive gift of Federal land to higher education represented by the Morrill Act of 1862, which established the "Land Grant" colleges. But already in the nineteenth century the colleges were expanding beyond the capacity of private or public philanthropy to support them. Commercial and industrial capital superseded land in endowments, and new revenue sources supplemented all endowment sources. Student tuition and room and board charges assumed an increasing place in college revenues, along with state and municipal subsidies for operating expenses.

In the twentieth century, with the enormous expansion of higher education and the erosion of savings and endowments through inflation, college and university revenues are increasingly derived from current income. Direct state appropriations to the institutions are a major source. Municipalities have largely withdrawn from their support of four-year colleges and universities but continue, along with other units of local government, to provide significant support for community colleges. Independent colleges have become increasingly dependent on tuition and other current income, including annual alumni fund drives, grants, contracts, patient fees, and various Federal and state programs of institutional aid. All colleges also benefit from tax privileges, including exemption from property taxes and tax-exempt status for the charitable contributions they receive and, in New York, the opportunity to finance capital construction with tax-exempt bonds.

Tuition and room and board fees, now the major components of income for most independent colleges and significant revenue sources for public colleges, are complex compounds of revenues. Because of the increase in costs and the growth and diversification of the student population, personal

savings and income, whether the parents' or the students', are no longer sufficient to pay the bill for most college students. Private philanthropy, once the principal source of scholarships for the academically gifted few from modest circumstances, has been overwhelmed by the movement of a majority of high school graduates into higher education during the past two decades. In that same short period the states and especially the Federal government have begun to support a major portion of the students' educational costs. They have taken on this responsibility through a variety of student aid programs, including grants, loan guarantees, subsidies, and tax benefits.

These programs were introduced at various times, in response to different circumstances, and were not generally coordinated with one another. Their eventual impact was rarely fully appreciated at the time of their introduction.

Today government supported or subsidized student aid is central to the financing of higher education. This is as true from the colleges' point of view as it is from the students' and the taxpayers'. In 1979-80 New York State college students received an estimated $1.6 billion in student aid, of which at least $1.32 billion came from the State or Federal government or through government subsidized and guaranteed loans. From the institutional point of view, Federal or State student aid programs accounted for one-fourth to one-third of total revenues.

From the students' point of view, these programs accounted for a much higher proportion of their costs, since student costs do not include that portion of the colleges' budget which is covered by State appropriations to institutions, income from endowment, etc. The precise level of student dependency on the student aid programs is not known. However, some idea of their importance is suggested by the data from individual programs. In 1979-80, of 327,000 New Yorkers studying full-time in New York colleges, an estimated 63 percent received awards under the State Tuition Assistance Program. The estimated average award was $730. In the same year 312,000 loans were made to postsecondary students in New York State under the Guaranteed Student Loan Program. That number of loans equals one-third of the degree-credit enrollment, full-time and part-time. The average loan amounted to approximately $2,000.

Finally, from the taxpayer's point of view, student aid has become a major area of public policy. Taken together student aid programs are the largest component of the Federal support for higher education and the second largest part of New York State expenditures (second only to the total appropriations for the public universities). As shown in Table 1, their total size --- $1.32 billion --- indicates why these programs must figure prominently in any review of fiscal priorities such as has just been underway in Washington. The rapid, sometimes uncoordinated expansion of student aid programs in the 1970's, the profound changes in the student population forecast for the 1980's, and the increased pressures for alternative use of government resources all suggest that student aid and its part of the financing of higher education must be re-examined.

Table 1

State and Federal Student Aid
in New York State
Major Programs, 1979-80

Programs		Amount (estimated in millions)		Percent		Estimated Nos. of Recipients
State						
Tuition Assistance Program		$251.3		18.0		327,169
Regents Scholarships		19.3		1.4		71,238
State Supplemental Loans		33.0		2.4		16,391
			$ 303.6		21.8%	
Federal						
Basic Educational Opportunity Grants (Pell Grants)		$345.9(a)		24.9		309,000
State Student Incentive Grants		7.3(b)		.5		--
Guaranteed Student Loans		629.9		45.3		308,404
Campus Based Programs						
Supplemental Educational Opportunity Grants	$25.5(c)			1.8		42,950
National Direct Student Loans	31.6			2.3		78,450
College Work Study	48.0			3.5		86,450
Total Campus Based		105.1				
Total Federal			1,088.2		78.2%	
Grand Total			$1,391.8		100.0%	

(a) This Program supplemented the State expenditure of $251.3 million for the Tuition Assistance Program.

(b) This amount includes the loan capital of the Guaranteed Student Loan Program. This is money made available by private lenders as a result of government guarantees and subsidies.

(c) This amount is the Federal appropriation, not total loan capital.

II. Federal Student Aid Programs

Federal programs are the major source of student aid in the United States today. In 1979-80 Federal programs were responsible for over three-fourths of all governmental student aid in New York State (including Guaranteed Student Loans, private capital which would not be available for student aid without Federal guarantees and interest subsidies). Student aid also represents the largest commitment of the Federal government to higher education. In Federal fiscal year 1981 the total cost of Federal student aid programs in the U.S. Department of Education was $6.1 billion, which was the majority of all nationwide Federal appropriations for higher education, excluding Veterans and Social Security benefits. Figure E appended to this paper provides a graphic depiction of the growth of Federal student aid programs in New York State over the past four years.

The role of the Federal government as the primary source of student aid for a majority of college students is of very recent origin. Until 1978 Federal student aid was generally directed toward specific segments of the student population in accordance with Federal priorities and objectives. Federal student aid programs contained no general commitment to support higher education, but rather sought to reward veterans, to direct college students into certain professions which had a high national priority, to provide for dependents or survivors of Social Security beneficiaries, or to help members of a disadvantaged minority advance into the mainstream of American society.

The first major Federal student aid program was the G.I. Bill of 1944. Its purposes were to reward the returning servicemen for their sacrifices and to cushion the economy against a sudden surge of job-seekers. The principle of the G.I. Bill--reward for military service in wartime--was renewed for veterans of the Korean and Vietnam conflicts. In addition the Federal government partially supports college expenses of some prospective officers through the ROTC program. Recently, in an effort to attract soldiers into the volunteer services, the Federal government began a program of matching grants for servicemen's savings for their education. Participation in this program has so far been less than anticipated. Some Congressmen have proposed a peacetime G.I. Bill to attract more highly qualified youths into the volunteer services.

The Cold War shock of Sputnik gave rise to the second wave of Federal aid for college students. In the National Defense Education Act of 1958 Congress provided for a program of loans and fellowships to encourage the development of talent which America was thought to require for continued leadership in a competitive world. The focus was particularly on graduate study in mathematics, science, and foreign area studies, as well as on the production of a teaching corps at all levels capable of educating the massive Baby Boom generation. "National Defense" student aid tended to be allocated to the colleges and universities for them to award to students as they saw fit, within broad guidelines. They were "campus-based" aid programs. Students who went into critically needed professions like teaching were forgiven their loans.

In the mid-1960's the direction of Federal student aid programs shifted from meeting the nation's critical manpower needs to providing opportunity for the poor to better their position through a college education. The Economic Opportunity Act of 1964 established the College Work-Study Program as an antipoverty measure. It appropriated money for colleges to pay 80 percent of the wages of needy students working at the college or in other nonprofit enterprises. In 1965 Congress established the first grant program aimed directly at "exceptionally needy" undergraduates. This program, which is campus-based, is now known as the Supplemental Educational Opportunity Grants (SEOG).

The Basic Educational Opportunity Grants program, begun in 1973-74, was the last of the "Opportunity" student aid programs and the first of the "entitlement" programs. Like SEOG, BEOG was a grant program for the needy. The difference is that the Federal government made BEOG awards directly to the student on the basis of a Federal financial need analysis of income and educational costs. According to the authorizing legislation, student need was to determine the size of the

student's grant as opposed to the grant being dependent on Congressional appropriation. All needy students were "entitled" to a certain level of Federal aid. The Federal authorizations for 1980-81 and 1981-82 for the maximum Pell grant were $1,800 and $1,900, respectively. Appropriations, however, limited the maximum to $1,750 in 1980-81 and $1,670 in 1981-82. Although the authorized maximum increased 5.5 percent, the appropriated maximum decreased by 4.6 percent.

Through the Middle Income Student Assistance Act of 1978 (MISAA) Congress significantly extended the concept of entitlement to Federal student aid by changing the BEOG family contribution schedule so that eligibility was broadened. Previously the income cutoff was around the $12,000 level. Under MISAA, awards were extended to students from families with incomes up to about $25,000. Income limits were removed for students receiving federally subsidized and guaranteed loans under the Guaranteed Student Loan program. Behind these changes was the public perception that a decade of severe inflation was pricing the middle class out of college at the very time when the Federal government had shouldered the burden of higher education for the poor as a public obligation.

The consequences of the "entitlement" era of student aid and the Middle Income Student Assistance Act are under intensive scrutiny in Washington this year. The major short-term consequence, from the Federal point of view, is a ballooning of costs. Federal expenditures for BEOG increased from $49 million in 1974 to $1.5 billion in 1978 and $2.6 billion in 1981--a fifty fold increase over 7 years. The increase would have been still higher had Congress not reduced award levels below authorized ceilings in 1980.

The growth of the GSL program, especially since 1978, is even more spectacular. Federal expenditures for GSL increased from $399 million in 1977 to $2.6 billion in 1981. Federal budget officials must be concerned not only with the current cost of new loans (in-school interest payments), but also with the enormous costs new loans imply for the future, when the Federal government must continue to subsidize interest payments and cover the costs of defaults. As inducement to make student loans, lenders receive both interest (9 percent) and "Special Allowance" payments from the Federal government. For the second quarter of 1981 the combined interest and special allowance rate was 19.25 percent. GSL, along with other student loan programs, has been criticized for a high rate of defaults. Another criticism of the GSL program since the Middle Income Student Assistance Act is that it is being used by parents who can afford to send their children to college to borrow at a low rate of interest and reinvest at a higher rate.

The status of Federal student aid programs in 1980-81 is represented in Table 2. The major programs last year were GSL, BEOG (renamed Pell Grants in 1980), Veterans Assistance, and Social Security benefits. There will be changes in some of these programs as a result of recent Federal budget reductions of student aid expenditures. The most dramatic changes foreseen at this point will occur in the Guaranteed Student Loan Program. Effective October 1, 1981, a financial needs test will apply for students whose adjusted family gross income exceeds $30,000. There will be a new five percent origination fee imposed, to be deducted from loan proceeds by lenders. The fee will be used to offset the Federal special allowance payments to lenders. Social Security and Veteran's Benefits will be considered in evaluating loan eligibility and minimum annual repayments will increase. Interest rates will rise for the Parental Loan (PLUS) Program and Auxiliary Loans to Assist Students (ALAS) Program. In some states (including New York), PLUS and ALAS provide access to school loan capital for parents and graduate and independent students. The interest rates for such loans will increase from 9 percent to 14 percent. In addition, the Social Security program providing assistance to postsecondary students will be phased out over a two-year period.

Table 2

Federal Student Aid Expenditures
1980/81

Program	1980 Appropriation (in millions)
Guaranteed Student Loans[1]	$ 1,913.8
Pell Grants	2,415.3
Supplemental Educational Opportunity Grants	370.0
College Work Study	550.0
National Direct Student Loans[2]	300.8
State Student Incentive Grants	76.7
Social Security Benefits[3]	2,000.0
Veterans Assistance[3]	1,900.0
Total	$ 9,526.6

[1]Government expenditures only, not loan capital

[2]New loan capital only. Does not include revolving capital already in the field.

[3]Estimated

III. State Student Aid Programs

New York State has, both historically and currently, made an unusually large contribution to student aid as a means of public financing for higher education. Other states of comparable wealth put a higher proportion of revenues into direct subsidization of public colleges and universities. New York, in more nearly balancing appropriations to public higher education and student aid, chose to support a more diversified system of colleges and universities, to support both opportunity and a measure of student choice among diverse programs and institutions. Figure F appended to this paper graphically represents the distribution of TAP among students in the sectors (SUNY, CUNY & Independent).

New York State pioneered publicly supported student aid programs with the establishment of the Regents Scholarship Program in 1913. Awarded on the basis of merit and scaled to need, Regents Scholarships were a unique form of public philanthropy available to several generations of New Yorkers studying in the State's then mostly independent colleges and universities.

In the 1960's and 70's Regents Scholarships were gradually replaced as the major form of State student aid by the Scholar Incentive Grants, which were superseded by the Tuition Assistance Program (TAP) in 1974. TAP, like the Federal Pell Grant Program, is an entitlement program providing awards directly to the students on the basis of family income and tuition costs. Unlike Pell Grants, TAP awards are only applicable to tuition. TAP is by far the largest State student aid program in the nation; through TAP and the much smaller, now largely honorific Regents College Scholarship Program, New York provides 31 percent of all State student aid in the United States today. New York full-time students make up 8.7 percent of all full-time students nationwide.

The most recent addition to New York State's financial aid programs is the Supplemental Tuition Assistance Program (STAP) which will be made available for the first time during the 1981-82 academic year. STAP will provide up to two awards, equal in amount to TAP, to educationally disadvantaged students who are in full-time attendance and carry remedial workloads that preclude fulfillment of regular TAP requirements for program pursuit and academic progress.

The new state legislation which created the STAP program also provides for enrichment of the Tuition Assistance Program for academic year 1981-82 (see Appendix Figure B(1) which shows how minimum and maximum awards and income thresholds have been increased). In addition, the bill authorizes the State to reimburse independent colleges and universities for their share of Federal College Work Study Program (CWSP) costs (i.e. 20 percent of total program costs which previously were funded by the schools). The new State aid will be phased in over three years. Institutions will be required to match the State aid on a dollar for dollar basis. The institutional matching funds must be used for new financial aid for needy students.

Another illustration of New York's heavy reliance on publicly supported student aid is provided by our State's participation in the Federal Guaranteed Student Loan program. New York State established a GSL program in 1957, the second state to have such a program, seven years before the Federal program got underway. In 1979-80 students borrowed $630 million under the New York State GSL program, 16 percent of all GSL loans nationwide, although New Yorkers represented only 8 percent of college and university full and part-time enrollment. The unusually high participation of New Yorkers in the GSL program derives in part from the long participation of its many lending institutions in the program. It derives also from the existence of a large number of independent institutions in New York State and the desire of the State's students to attend these schools.

IV. Student Aid Programs: The Future

The future of State and Federal student aid programs will be determined, in part, by changes in the student population at our colleges, and, in part, by the choice made as to how best to pay for their education. In this discussion paper we raise questions, first, with respect to the changing student population and the implications for student aid, then with respect to three categories of student aid--entitlement programs, loan programs, and tax policies.

A. The Changing Student Population

The most obvious change in the college student population during the next decade is in its diminished size. The fact is well known now that the traditional college-age population (18 to 24 years old) will decrease in the 1980's. In New York, high school graduates will decrease by 34 percent within the decade. What are the implications of an enrollment decline for student aid and financing higher education? Will fewer students to aid result in diminished costs for student aid programs? Or will colleges raise tuition more rapidly than in the past to cover fixed costs and thereby increase the demand for student aid? Not only will the pool of students change in size, but as schools reach out to previously underserved elements of the population, the new students will have greater financial need than the traditional middle class market. Enrollment declines may not automatically mean parallel declines in need based financial aid.

A change in the student population already evident on our college campuses and likely to increase in the near future, especially in New York State, is the growing proportion of underprepared students. How should the costs of remediation for students underprepared for postsecondary education be met?

Most student aid programs are restricted to students enrolled in degree, certificate, or diploma programs. Eligibility is normally limited to the period required to complete a program through full-time study. New York has made a certain accommodation to the needs of underprepared students through its Opportunity Programs (HEOP, EOP, SEEK, and College Discovery), which provide funds for supplemental student aid, support services (tutoring, counseling, etc.) and allow for 10 instead of the normal 8 semesters of TAP eligibility for a limited number of economically and academically disadvantaged students. Should the opportunity programs be entitlement programs, available to all students in need of supplemental aid and/or specialized academic services? Or are there other approaches to this problem?

The third major change in the college student population is the increasing participation of adults over age 25. Are there special student aid needs to be met for the adult student? Adult postsecondary students differ from the traditional college student in several ways. The adult student is generally a part-time student, combining study with work or family responsibilities. The adult student is more likely to enroll in vocational and non-credit courses. TAP is tailored to the traditional college student in that it is only available to full-time students and cannot be used for non-credit vocational or avocational courses. Vocational programs outside the degree-granting institutions are also excluded. All major Federal programs are available to part-time students at both vocational and degree-granting schools. Should State-funded student aid be provided for all or certain kinds of vocational schools? What are the appropriate limits on publicly supported student aid for adult learners, given the need to establish priorities for the allocation of scarce resources to different groups of aid seekers?

The question of aid for the part-time adult student is only one facet of the issue of aid for all part-time students. There are other social needs which would also benefit from student aid for part-time students. Increasing numbers of previously underserved elements of the population have greater financial need than traditional students. Due to the higher need levels such students may have to supplement available aid by part-time or full-time employment. This may necessitate part-time study, which, as of now, is funded by Federal programs but not the New York State entitlement program, TAP. Another socially desirable purpose for part-time aid is for support to continuing education for those already engaged in their careers. As our society advances technologically, new skills are needed and retraining or continuing education is necessary. What are the needs for aid for the part-time student and to what degree are New York State taxpayers willing to suppport them? The balance between the public good of higher education and the private benefit to the individual applies to the part-time as well as full-time student.

Many questions arise when considering aid for part-time students. Should it be available only for certain underserved or underprepared groups in order to further the goals of access to higher education? Should aid for part-time study instead be targeted to specific manpower needs? Should it, for example, be limited to advance technical course work or perhaps skilled trades which require advanced training? Should aid be offered only to the group historically defined as "part-time", i.e., those students who carry at least 6 and not more than eleven credits? Some feel that a six credit hour minimum is too limiting, and aid for part-time students should be made available to all on an equal, pro rata basis. For example, if full-time study is defined as 12 credit hours and full-time study is funded at the 100 percent award level, 3 credits of study would be eligible for 25 percent of a full need award. Currently only 2 programs, both Federal campus based (SEOG and CWSP), are available to less than half-time students and this aid is limited to 10 percent of a school's appropriations for those programs.

B. Entitlement programs

The annual cost of attendance at New York colleges ranged in 1980-81 from approximately $1,500 a year at the least expensive community colleges to over $10,000 a year at the most expensive four-year independent institutions. Over the six years from 1973 to 1979 (i.e., roughly a period since the introduction of TAP) the cost of attendance at State-operated campuses of the State University and at New York's independent colleges rose by approximately 50 percent. A recent report by the N.Y. Higher Education Services Corporation shows that in the independent sector, average TAP and Pell awards, for recipients of both grants, covered 35 percent of resident costs and, at SUNY state-operated schools, about 42 percent of such costs. Should the entitlement student aid programs (TAP and Pell Grants) expand to cover a higher proportion of costs? Does the expansion of entitlement programs encourage colleges to raise tuition and thereby drive up the cost of college? How should the student's "need" be determined? Has there been a change in how American families regard so-called "disposable income"? Should assets, including the family home or business, be counted in determining a parental or family ability to contribute? Under what conditions should students be allowed to declare themselves "emancipated" from their families for purposes of assessing their ability to pay

college costs? Would full-need entitlement programs encourage students to choose higher-cost, independent institutions and undermine the State's investment in public higher education?

C. Loan Programs

Student loan programs have expanded more rapidly than any other form of student aid in the last few years. The effect of this expansion is an unpredictable, burgeoning expenditure for the Federal government, a heavy burden of debt for recent graduates, delayed repayments, and rising loan defaults. How should costs of the loan programs be controlled while still meeting the legitimate borrowing needs of students? A college graduate with $8,000 of GSL indebtedness (assuming an average loan of $2,000 per year at the current 9 percent interest rate) will begin his or her career with a student loan obligation of $101 a month or $1,218 a year for ten years. Will the increasing reliance of students on borrowing drive them into high-paying professions or specializations and discourage them from pursuing graduate or professional training or entering such low-paying but socially useful fields as nursing and teaching? Is the expansion of borrowing to pay college costs inflationary? Does the ready availability of student loan funds to pay for postsecondary education discourage parental savings and investment for education? If savings are so discouraged, broadening or limiting the loan program may have wide implications for our economy.

D. Tax Policies

Federal and State governments also support higher education today through a variety of tax policies, including the tax exemption accorded to charitable gifts to colleges, exemption of college property from local property taxes, and the tax exempt Public Authority bonds which finance college construction. Many people have suggested the extension of this use of the tax laws to support higher education into the area of student assistance. Indeed, New York State has already taken the first steps down this path with two measures adopted in 1978: a tuition deduction plan, which allows a taxpayer to deduct part of tuition payments from taxable income for purposes of State and City income taxes for a dependent attending college in New York State, and the Parents and Students Savings Plan, which provides for deferral of State income taxes on savings which will be given later to a dependent for college expenses. It is estimated by the New York State Department of Taxation and Finance that the PASS and Deduction programs resulted in an estimated $10 million dollars in decreased State tax revenues for the 1979 tax year.

Should tax policies be used to support college costs? An advantage of tax policies for meeting college costs is that such policies are free of the cumbersome central administrative and regulatory apparatus often associated with grant and loan programs, particularly those that are administered directly to the student, as opposed to campus-based programs. The tax policies are thought by their advocates to provide maximum freedom to the consumer. On the other hand, tax policies naturally yield the most benefits to those who pay the most taxes, i.e., those who have the least need. In this sense they are said by their opponents to be an inefficient means for the government to support higher education opportunity.

Insofar as higher education is an investment in America's future and the nation wishes to encourage investment by its tax policies, the tax law could be rewritten to support investment in knowledge and skills as well as investment in capital goods. Such tax policies could include, in addition to deferrals, deductions, or credits for tuition costs, supplementary deductions for charitable contributions to colleges by those who take the standard deduction or tax credits for businesses supporting university-based research.

V. Issues for Discussion

Context

Two major factors will affect tuition rates, and the total cost of attending college, in the foreseeable future. They are inflation and declining enrollments. The recent impact of inflation is well known to all. Even if the rate of inflation should decrease from its current levels, it is not likely to return to the levels of ten years ago. Declining enrollments at any institution or system mean a smaller pool of tuition paying students to support operating and capital costs. Although operating costs of colleges can be reduced when enrollment declines significantly, fixed costs are such that these reductions cannot be proportionate to the loss of tuition revenue. Thus the combined effect of inflation and enrollment decline is a relentless upward pressure on the costs of attending college.

In the foreseeable future it is likely that the demands on governmental resources will increase in many significant areas, (e.g., the military or care for the elderly) at the same time that general pressures persist for overall decreases in government spending and tax levels. It is therefore reasonable to assume that it will be exceedingly difficult for both Federal and State governmental support for student financial aid programs to keep pace with the upward spiral of college-going costs. Therefore, while enrichment of existing programs or service to new constituencies may be desired, they may both be viewed as prohibitively expensive.

Instructions

Section IV of this paper dealt with the financial aid problems we face as a result of the changing student population, as well as the pressures being exerted upon entitlement and loan programs and tax policies. This section will put forth the key questions regarding these four concerns for purposes of your discussion. Illustrative exercises have been designed for each of the concerns and you may wish to use them in order to stimulate and provoke group interaction. The exercises are meant to simulate some of the questions, or types of questions, faced by public policy decision makers when they consider changing aid programs to achieve new objectives.

A. The Changing Student Population

What are the implications of an enrollment decline for student aid and financing of higher education?

- Will fewer students to aid result in diminished costs for student aid programs?
- Will colleges raise tuition more rapidly than in the past to cover fixed costs, thereby increasing demand for student aid?

How should the cost of remediation for students underprepared for postsecondary education be met?

- Should Opportunity Programs be entitlement programs, available to all in need of supplemental aid and/or specialized academic services?
- What are other approaches to the problem?

Are there special student aid needs to be met for the adult student?

- Should TAP be made available to other than full-time students enrolled in degree granting institutions? If "yes", then for which program(s) and types of students?

- What are the appropriate limits on publicly supported student aid for adult learners given the need to establish priorities for the allocation of scarce resources to different groups of aid seekers?

What are the financial aid needs of the part-time student and to what degree are we willing to support such needs?

- Should aid be available only for certain groups of part-time students? If so, which groups should be targeted?

- Should aid be limited to certain programs such as advanced technical training or skilled trades?

- Should aid be restricted to the historically "part-time" student, i.e. the student who carries at least six but less than 12 credits? Or should aid be available on a pro rata basis? (e.g. if full-time study is defined as 12 credits, a student enrolled in one three credit course would be eligible for 25 percent of a full award, based on need and subject to level of tuition)

EXERCISE:

1. The following categories of students are all aid seekers. Realizing that not all categories may be mutually exclusive, what should be the priority order for extending additional student aid among these groups?

		Rank
a.	traditional undergraduate students (full-time, 18 to 21 year-old high school graduates)	_____
b.	adult learners, avocational	_____
c.	graduate students	_____
d.	adult learners seeking retraining for new career	_____
e.	students preparing for careers in areas of critical shortages (e.g., mathematics and science teachers, graduate engineers)	_____
f.	the underprepared student in need of remediation and extra time to complete degree.	_____

2. The part-time student is not served by current New York State aid programs, although Federal programs do offer some assistance. Are you in agreement or disagreement with the following proposals?

		Agree	Disagree
a.	Tap should be available		
	(i) to all part-time students	_____	_____
	(ii) to some part-time students	_____	_____
	(iii) to no part-time students	_____	_____

		Agree	Disagree
b.	If you agree with a.(ii) Indicate your preference(s) below for types of part-time study eligible for state assistance:		
	• retraining for critically needed skills	____	____
	• the underprepared or previously underserved who, due to work or family responsibilities, are prevented from attending full-time	____	____
	• entry level training in programs deemed socially needed	____	____
	• adult, avocational learners	____	____
	• other (specify) _____	____	____
c.	Regents Scholarships should be available for use by winners attending school on a part-time basis.	____	____
d.	(i) TAP should be available to students regardless of course load (i.e. any load one credit and above). This might mean a pro rata schedule of support, based on the definition of full-time study, limited to tuition charges.	____	____
	(ii) If you disagree with d.(i) indicate your preference(s) below:		
	• no part-time TAP	____	____
	• Prorated only for 6 or 11 credits	____	____
	• Prorated for 3 or 11 credits	____	____
	• other (specify) _____	____	____
e.	Rather than a centrally administered entitlement program (such as TAP), the State should provide allocation for campus based aid, specifically earmarked for aid for part-time students. The campus based approach allows for a strict control of costs to the State.	____	____

B. The Entitlement Programs

Should the entitlement student aid programs (TAP + Pell Grants) expand to cover a higher proportion of cost?

- Does the expansion of entitlement programs encourage schools to raise tuition and thereby drive up the cost of education?
- Would full-need entitlement programs encourage students to choose higher cost, independent institutions and undermine the State's investment in public higher education?

How should a student's "need" be determined?

- Has there been a change in how American families regard so-called "disposable income"?

- Should assets, including a home or business, be counted in determining parental or family ability to contribute to the cost of education?

- Under what circumstances should students be allowed to declare themselves "emancipated" from their parents for need determination purposes?

EXERCISE:

1. For what programs of study should student aid be available? Rank your choices in priority order ("1" highest, etc.).

_____ Degree programs

_____ Remedial programs leading to enrollment in or part of a degree or occupational program

_____ Remedial programs not leading to enrollment in either degree or occupational programs

_____ Non-degree occupational programs, such as BOCES, proprietary business schools or vocational schools

_____ Non-degree, avocational community service programs

_____ Other (Please specify) _____

2. What should be the determining factors in awarding financial aid and determining need?

In each set, check the factor you would include, if any, in the assessment of financial need or awarding of aid. Note that each additional factor adds to the cost of the aid or reduces the numbers who can be aided or the amount of aid per student at a fixed total aid level.

a. (i) _____ Size of award highly related to cost of attendance (favors high tuition institutions) or
(ii) _____ Size of award minimally or not at all related to cost of attendance (favors low tuition institutions)

b. (i) _____ Aid limited to two or four years (i.e., the normal length, depending on program) of full-time study or equivalent or
(ii) _____ Aid to cover additional limited remedial work or
(iii) _____ Aid until degree completed

c. (i) _____ Family taxable income without allowance for assets or
(ii) _____ Adjustments for assets

d. (i) _____ Adjustment for numbers of children in college or
(ii) _____ Adjustment for numbers of family members (includes parents) in college

e. (i) _____ Other determining factor(s). (Please specify) _____
_____

C. The Loan Program

How should costs of the loan programs be controlled while still meeting the legitimate borrowing needs of students?

- Will increasing reliance by students on borrowing ...
  - -- drive them into high-paying professions or specializations?
  - -- discourage students from pursuing graduate or professional training?
  - -- discourage students from entering low-paying but socially useful fields such as nursing or teaching?
- Is the expansion of borrowing to pay college costs inflationary?
- Does the ready availability of student loan funds discourage parental savings and investment for education?
  - -- if so, what are the wider implications of this attitude for our economy?

EXERCISE:

How should governmental costs of loan programs be controlled while still meeting the legitimate borrowing needs of students? Indicate your agreement or disagreement with the following methods. If you are not in agreement with numbers 1, 2, or 3, indicate in (4), "Other", an alternative.

		Agree	Disagree
1)	Raise interest rates on student loans?	_____	_____
2)	Restrict the number of loans able to be made, regardless of income level of borrower?	_____	_____
3)	Restrict the loan availability to certain income levels?	_____	_____
4)	Other (SPECIFY) _____		

D. Tax Policies

Should tax policies be used to support college costs?

- Is support for students by using tax policies an efficient means for government to support higher education opportunity?

EXERCISE:

1. What should be the role of tax policies in student financial aid and the financing of higher education?

To what degree are you in agreement or disagreement with the following:

		Strongly Agree	Agree	Dis-Agree	Strongly Disagree
a.	Industry should be granted special tax incentives for contributions to higher education, beyond those now available.				
b.	Parents should be allowed tax credit for tuition costs				
	(i) at independent institutions only				
	(ii) at both independent and public institutions				
c.	Parents should be allowed to defer tax on savings plans for their children's future educational costs.				
d.	Supplementary deductions for charitable contributions to colleges should be allowed for those who take the standard tax deduction.				

VI. APPENDIX

Figure A -- Federal Student Aid Programs

Figure B -- Major Scholarship and Grant Programs
New York State

Figure B(1)-- Maximum TAP Awards - New Undergraduate Recipients 1981-82

Figure C -- Ranges of Postsecondary Student Costs - 1980-81

Figure D -- Trends in Postsecondary Undergraduate Attendance Costs

Figure E -- Growth of Major Federal Student Aid Programs
New York State: 1976/77 -- 1979/80

Figure F -- Undergraduate TAP: Sector Distribution
- Undergraduate TAP Payments by Sector (1979-80)
- Undergraduate TAP Recipients (Est.) by Sector (1979-80)
- Average TAP Award (Est.) by Sector

Figure A

Federal Student Aid Programs[1]

Program	Level of Study	Amount
Pell Grants	Undergraduate	$200-$1,670 per year
Campus-based		
Supplemental Educational Opportunity Grants	Undergraduate	$200-$2,000 per year
College Work Study	Undergraduate and Graduate (must be at least at Federal minimum wage)	Depending on hours and wages
National Direct Student Loans	Undergraduate	$6,000 aggregate
	Graduate	$12,000 aggregate (cumulative limit for undergraduate and graduate study)
Guaranteed Student Loans	Undergraduate	Up to $2,500 annually for dependent and independent students ($12,500 aggregate)
	Graduate	Up to $5,000 annually (cumulative aggregate of $25,000 for undergraduate and graduate study)

[1]Amounts shown are applicable for full-time study at postsecondary institutions including collegiate level (nonprofit and proprietary) and vocational (proprietary) schools.

Figure B

Major Scholarship and Grant Programs
New York State

Programs	Number of New Awards 1979-1980	Amount of Annual Award	Term of Award (in Years)
Noncompetitive Awards			
Tuition Assistance Program Awards[1]	327,169	$ 200-1800	4 or 8
Child-of-Veteran Awards[1]	2,500	450	4 or 5[3]
	329,669		
Scholarships for High School Seniors			
Regents College Scholarships	19,443	250	4 or 5[3]
Basic Nursing Scholarships	800	250	4 or 5[3]
Cornell University Scholarships[2]	60	100-1000	4
	20,303		
Other Scholarships and Fellowships			
Medical-Dental Scholarships	130	350-4000	4
Lehman Fellowships	30	4000-5000	4
Optometry Scholarships	5	350-1000	4
Veterinary Scholarships	10	350-1000	4
	175		

[1]Data reported in Higher Education Services Corporation preliminary budget request for 1981-82.
Note: In 1981-82, awards for first-time recipients will range from $250 to $2,200 as a result of recent "enrichment" of TAP. The minimum award will rise for all recipients to $250. In addition, TAP will be made available over a wider income range and more students will be eligible for maximum awards. (See Figure B(1))

[2]Awards are administered and funded by Cornell University and provide for tuition reduction.

[3]Awards may be held for five years if the academic program requires more than four years for completion.

Figure B (1)

Maximum TAP Awards
New Undergraduate Recipients 1981-82
By Income, Within Sectors

Net Taxable Income	Independent Colleges		SUNY		CUNY	
	New Award	1980-81	New Award	1980-81	New Award	1980-81
$ 2,000	$ 2,200	$ 1,800	$ 1,075	$ 925	$ 925	$ 925
5,000	2,200	1,698	1,005	790	855	790
9,000	1,840	1,375	715	500	565	500
15,000	1,270	795	250	200	250	200
20,000	720	200	250	200	250	200
25,000	250	0	250	0	250	0

Figure C

Ranges of Postsecondary Student Costs
1980-81

Sectors

Types of expenses	CUNY	SUNY State-Operated	Community Colleges	Independent	Other[1]
Tuition and Fees	$ 925-1,000	$ 925-1,070	$ 670-960	$ 1,900-6,250	$ 960-3,530
Room and Board	*	1,540-2,600	400-1,100	1,500-3,715	1,100-2,400
Books and Supplies	175-250	190-450	150-250	150-600	100-500
Other Expenses	*	400-900	300-600	200-1,000	300-1,200
Total Costs[2]	$1,941-3,795	$3,202-4,790	$1,440-2,925	$3,917-10,240	$1,732-6,300

[1]Includes hospital schools, degree granting proprietary institutions, and registered nondegree business schools with curricula of two years duration.

[2]The ranges of total costs are those reported for institutions in each sector, as carried in The College Cost Book, 1980-81, published by the College Entrance Examination Board.

*Maintenance and other expenses for commuting students range from $955 to $2,345.

Figure D

Trends in Postsecondary Undergraduate Yearly Attendance Costs[1]

	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	Percent Change 1973-74 to 1979-80
State Univerity								
State-Operated	$2,347	2,889	2,828	3,117	3,264	3,358	3,583	52.7
Community Colleges	2,205	2,673	2,659	2,657	2,902	2,947	3,073	39.4
City University	1,088	1,090	1,765	2,765	2,779	2,780	2,955	63.2
Independent	4,415	4,698	4,805	5,344	5,602	6,070	6,613	49.8

[1]The cost figures are taken from a report on student financial aid and attendance costs by the Higher Education Services Corporation, February 1981.

Figure E

GROWTH OF MAJOR FEDERAL STUDENT AID PROGRAMS

NEW YORK STATE: 1976/77-1979/80

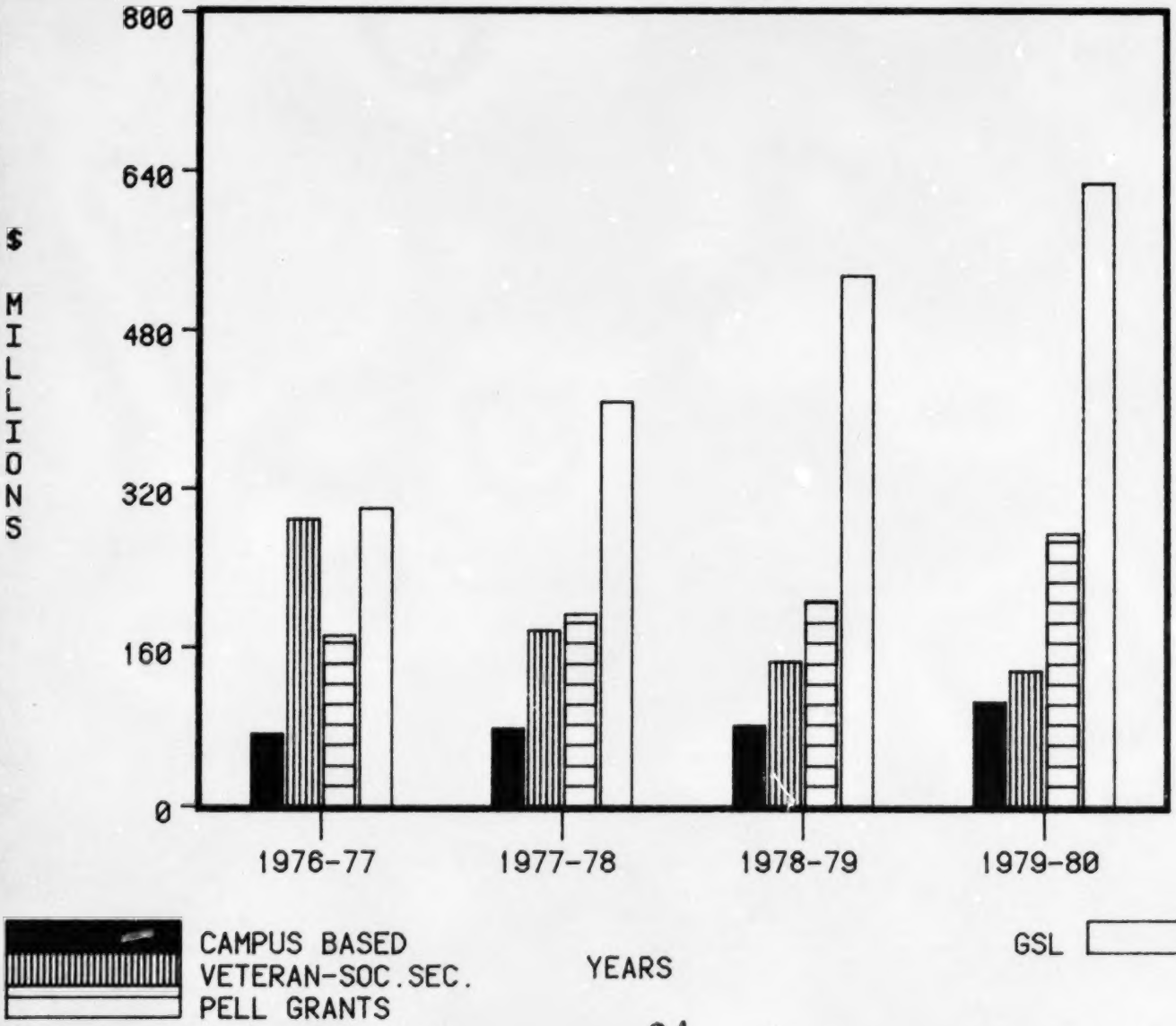

Figure F

Undergraduate TAP: Sector Distribution

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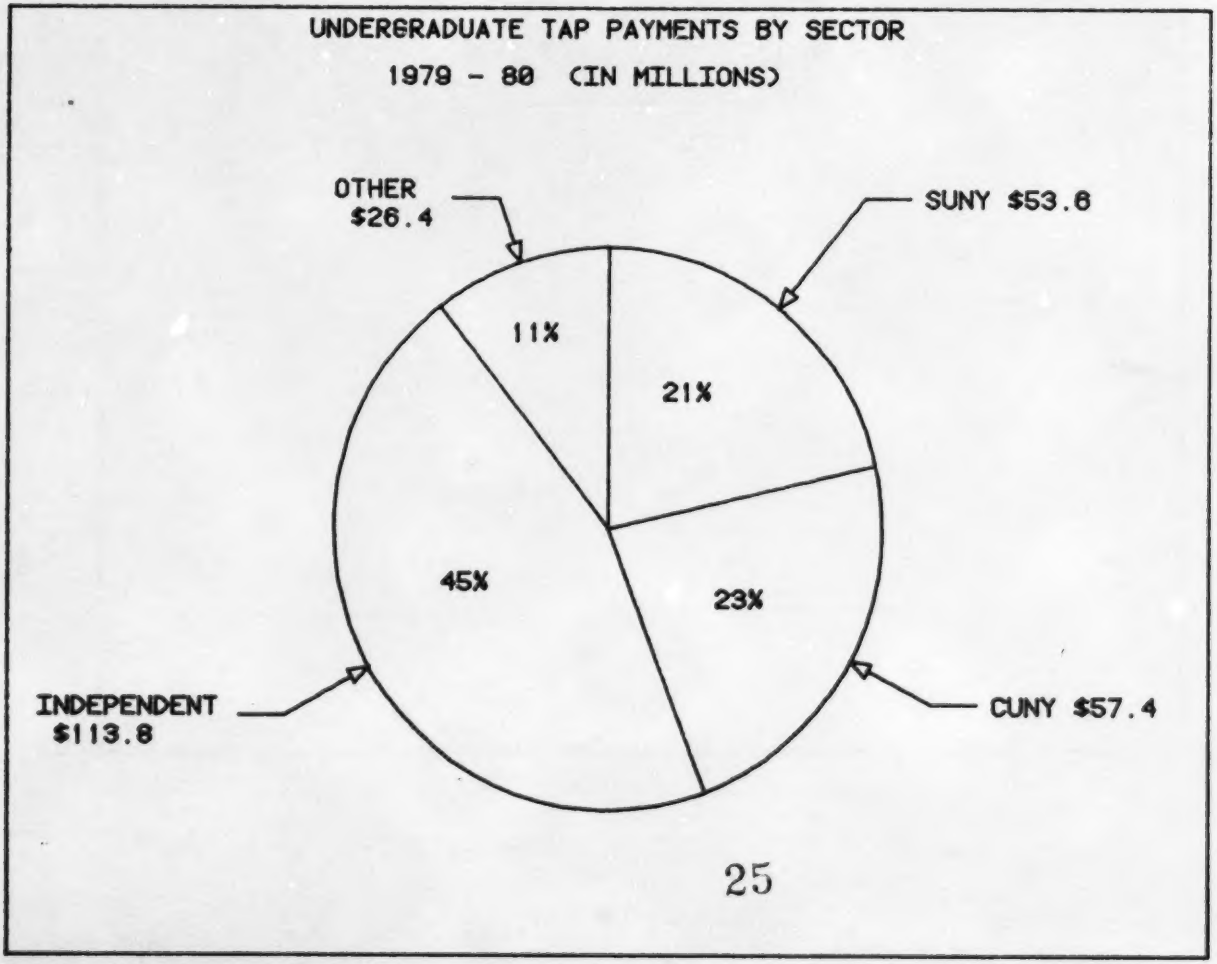

Figure F

(Continued from previous page)